

variable referring to the treatment (Energy Star/regular). is the estimate of interest.

In order to understand whether the extent of energy efficiency matters, we compare the risks of default of mortgages on Energy Star homes for which a HERS Index Score is available. These HERS ratings are included in the model as a continuous variable (0-85), thus allowing us to examine whether better energy efficiency (lower HERS rating) is associated with lower mortgage risks. Thus, instead of an indicator variable for treatment we use a HERS rating variable. Because the HERS model primarily compares the loan performance of Energy Star residences, the results may be interpreted as an argument for considering the degree of energy efficiency in the mortgage underwriting process.

Data Description

The study uses a carefully constructed sample of loans across the nation. First, we obtained addresses of 226,962 HERS-rated homes from RESNET's database and directly from individual HERS providers. These houses obtained a HERS rating from 2000-2010. Because of data privacy restrictions¹¹, inconsistent addresses, and low numbers market share of HERS-rated homes, the states of Alaska, Arizona, California, Louisiana, Maine, Minnesota, North Dakota, Oregon, South Dakota, Tennessee, West Virginia, and Wyoming are excluded from the sample (Figure 1).

[Insert Figure 1 here]

Each of the addresses is matched to addresses in CoreLogic's loan level database. For each of these matched records within the zip code, loan information of

¹¹ While energy-efficient homes enjoy a large market share in California, consumer privacy restrictions prevented the access to address and rating data for California HERS-rated homes.